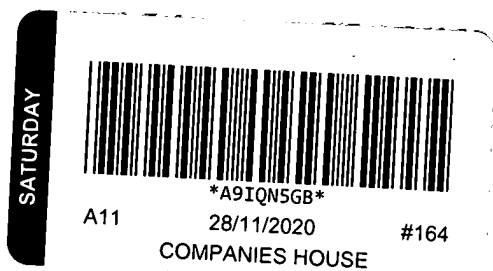


Company Registration No. 02233044 (England and Wales)

POWDER SYSTEMS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019



POWDER SYSTEMS LIMITED

COMPANY INFORMATION

Directors	K Pitcher C Parker A Gowans
Secretary	K Pitcher
Company number	02233044
Registered office	Estuary Business Park Speke Liverpool Merseyside L24 8RG
Auditor	RSM UK Audit LLP Chartered Accountants 5th Floor One City Place Queens Road Chester CH1 3BQ

POWDER SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Fair review of the business

Strategy

PSL has continued to streamline its operations and focus on developing state of the art products through design and innovation, developing and enhancing systems, product lines and improvement of processes. PSL continues to carefully and prudently invest in research and development that allows standardisation of products for both established and emerging pharmaceutical and other markets.

Strategy continues to be focused around PSL's core values of Quality, Innovation and Global Relationships:

Quality – Giving the customer what they want, when they want and how they want it:

- Develop a market focused culture
- Achieve the highest levels of customer satisfaction
- Expertly manufactured process equipment

Innovation – Decades of experience has led PSL to develop our ground breaking products. By the development of skills and talent in the business, and forming alliances with complementary technology providers

- Award-winning technology
- Revolutionary applications
- Perceive worldwide demand with a unique offering

Global Relationships - Award-winning international manufacturer

- Develop the company portfolio both locally and overseas
- Global network of partners ready to supply PSL's products to any part of the world
- Understanding of local and regional customs so that PSL can better understand the markets and customer requirements where we do business

Turnover has increased from £5.1m to £7.3m which is explained below. Gross profit margin has reduced from 58% to 48% based upon these efforts. Net profit is comparable to the previous year and is reflective of the continuing restructuring of the business. The reduction relates mostly to the £592k which has been provided against debtors as detailed in note 4. The directors believe the net profit will increase significantly in future years as a result of current restructuring and an improved manufacturing base. Net assets have reduced from 2018 by £1.04m which is primarily a result of prudent accounting regarding debtors as noted above and restructuring costs. Stocks are reduced by £436k which has also impacted. This is reflective of the reduced carrying values in work in progress.

Progress & Future developments

PSL's research and development is ensuring that our products are at the cutting edge of technology to suit our customers' needs best. Through the enhancement of R&D PSL have proudly made significant enhancements to our Microsphere Refiner and GFD which will benefit the company as both products continue to generate interest and demand. These products are now in the process of being creatively marketed on a global basis.

The directors have decided to relocate the COPE testing facilities to Liverpool UK. This will increase the commercial feasibility of the optimisation process operation and the overall profitability of the company.

POWDER SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties

The principal risks and uncertainties in the business remain as currency risk and credit risk.

The company is exposed to currency exchange movements, the directors are satisfied that this risk is minimised by forward exchange contracts minimising the exposure.

By the nature of undertaking capital contracts of a material nature, credit risk is a risk that the directors recognise. To minimise this risk the company carries out credit checks and purchases credit insurance on all customers of main contracts. Additionally, when entering into contracts the company requires irrevocable lets of credit with favourable stage payments.

It is the directors' opinion that there is minimal risk to the business as a result of Brexit even if there is no trade deal. The business is not dependent on conducting business within the EU and has in place all necessary procedures as far as is possible to meet government requirements. Whilst the directors believe demand for the product will not be affected they have ensured suppliers have been sourced from within the UK.

The global COVID-19 pandemic has not significantly affected the company. The effects of the pandemic have been felt in the period since 31 March 2019 and include ability to travel and social distancing measures. Prompt action was taken to furlough staff and new ways of working implemented, such as remote installation and testing. Operationally, social distancing measures were implemented and remote working instigated for those that could work from home. The company has a secure UK supply chain and is not dependent on overseas imports.

Key performance indicators

Management continue to review key KPI's on an ongoing basis. Each department has its own KPI's which are regularly reviewed by senior management and BSI to ensure continued improvement of our system.

Key KPI's include:

- Turnover – increase in turnover by £2.2m to £7.3m as a result of the company's past and continued focus on R&D, and investment in overseas marketing the company has been successful in penetrating and establishing a foothold in new emerging global markets with overseas exports increasing by £2.2 million in line with the company product and marketing strategy.

POWDER SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Subsequent Events

On 11 March 2020, the World Health Organisation declared the Coronavirus outbreak to be a pandemic. As a result, there is a significant increase in economic uncertainty which is affecting business across the globe to a varying degree.

The global COVID-19 pandemic has not significantly affected the Group's reported results for the year ended 31 March 2019. The effects of the pandemic have been felt in the period since 31 March 2019 and include ability to travel and social distancing measures. Prompt action was taken to furlough staff and new ways of working implemented, such as remote installation and testing. Operationally, social distancing measures were implemented and remote working instigated for those that could work from home.

Consequently, there is no impact of recognition and measurement of assets and liabilities. The directors continue to carefully monitor and assess the impact on the business, and to take action to mitigate risk to protect the business and preserve cashflow.

On behalf of the board



.....
A Gowans
Director

Date: 27/11/2020
.....

POWDER SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company in the year under review was that of the design, manufacture and installation of automated solids processing and containment systems, principally in the pharmaceutical industry.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Pitcher	(Resigned 26 April 2019)
K Pitcher	
C Parker	
A Gowans	
M Wharton	(Resigned 13 July 2019)
J Hammonds	(Appointed 21 May 2018 and resigned 24 June 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Research and development

Extensive research and development is carried out to ensure that PSL's products are optimised and at the forefront of industry technology. R&D at PSL encompasses both desktop design work and testing & building of equipment.

Auditor

The auditor, RSM UK Audit LLP, is deemed to reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Matters of strategic importance

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments, financial instruments risk and exposures, and principle risks and uncertainties.

On behalf of the board



.....
A Gowans
Director

Date: 27/11/2020

POWDER SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWDER SYSTEMS LIMITED

Opinion

We have audited the financial statements of Powder Systems Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWDER SYSTEMS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Michael Fairhurst FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
5th Floor
One City Place
Queens Road
Chester
CH1 3BQ

27 November 2020

POWDER SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	7,309,859	5,126,852
Cost of sales		(3,822,513)	(2,167,373)
Gross profit		3,487,346	2,959,479
Administrative expenses		(4,197,043)	(3,911,758)
Other operating income		-	135,361
Exceptional item	4	(591,794)	-
Operating loss	5	(1,301,491)	(816,918)
Interest receivable and similar income	8	29,758	15,491
Other gains and losses	9	(16,370)	35,308
Loss before taxation		(1,288,103)	(766,119)
Tax on loss	10	260,266	185,967
Loss for the financial year		(1,027,837)	(580,152)

POWDER SYSTEMS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11	259,262		219,860	
Tangible assets	12	145,110		113,396	
			404,372		333,256
Current assets					
Stocks	13	529,416		965,281	
Debtors	14	3,531,022		3,904,876	
Cash at bank and in hand		464,369		717,767	
		4,524,807		5,587,924	
Creditors: amounts falling due within one year	15	(3,489,800)		(3,467,744)	
Net current assets			1,035,007		2,120,180
Total assets less current liabilities			1,439,379		2,453,436
Provisions for liabilities	16		(57,303)		(43,523)
Net assets			1,382,076		2,409,913
Capital and reserves					
Called up share capital	20	76,627		76,627	
Share premium account	21	49,921		49,921	
Capital redemption reserve	21	53,694		53,694	
Profit and loss reserves	21	1,201,834		2,229,671	
Total equity			1,382,076		2,409,913

The financial statements were approved by the board of directors and authorised for issue on 27.11.20
and are signed on its behalf by:



A Gowans
Director

POWDER SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2017	76,627	49,921	53,694	2,809,823	2,990,065
Year ended 31 March 2018:					
Loss and total comprehensive income for the year	-	-	-	(580,152)	(580,152)
Balance at 31 March 2018	76,627	49,921	53,694	2,229,671	2,409,913
Year ended 31 March 2019:					
Loss and total comprehensive income for the year	-	-	-	(1,027,837)	(1,027,837)
Balance at 31 March 2019	76,627	49,921	53,694	1,201,834	1,382,076

POWDER SYSTEMS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash absorbed by operations	22	(154,538)		(66,364)	
Income taxes refunded/(paid)		20,894		(3,052)	
Net cash outflow from operating activities		(133,644)		(69,416)	
Investing activities					
Purchase of intangible assets		(68,977)		(150,009)	
Purchase of tangible fixed assets		(80,535)		(46,008)	
Interest received		29,758		15,491	
Net cash used in investing activities		(119,754)		(180,526)	
Financing activities					
Dividends paid		-		(31,667)	
Net cash used in financing activities		-		(31,667)	
Net decrease in cash and cash equivalents		(253,398)		(281,609)	
Cash and cash equivalents at beginning of year		717,767		999,376	
Cash and cash equivalents at end of year		464,369		717,767	

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Powder Systems Limited is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is Estuary Business Park, Speke, Liverpool, Merseyside, L24 8RG.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Going concern

In considering the appropriateness of the going concern basis of preparation, the Directors have considered current trading performance and forecasts for the for at least twelve months from the date of signing the 2019 financial statements.

The global COVID-19 pandemic has not significantly affected the Group's reported results for the year ended 31 March 2019. The effects of the pandemic have been felt in the period since 31 March 2019 and include ability to travel and social distancing measures. Prompt action was taken to furlough staff and new ways of working implemented, such as remote installation and testing. Operationally, social distancing measures were implemented and remote working instigated for those that could work from home.

The scenarios under which forecasts have been prepared take a prudent review of the easing of these restrictions, in arriving at the overall conclusion on going concern. The Directors believe the Company is now securely positioned to navigate through these uncertain times.

The latest trading forecasts indicates that the Company and Group will continue to operate as a going concern for the foreseeable future. The latest forecasts are based on only secured orders and projects which are most likely to materialise. After making detailed enquiries and forecasting, the Directors have formed a judgment, at the time of approving the financial statements, that there is a strong expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and/or services in the ordinary nature of the business and is shown net of Value Added Tax.

When the outcome of a project can be estimated reliably and it is probable that the project will be profitable, turnover and costs are recognised over the period of the project.

When it is probable that total project costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a project cannot be estimated reliably, project turnover is recognised only to the extent of project costs that are recoverable and the project costs are expensed as incurred.

The Company uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of project costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded for project costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets, depending on their nature, and provided it is probable they will be recovered.

Intangible fixed assets other than goodwill

The Company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which 2 years.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss, within administrative costs, on a straight-line basis over their useful lives, as follows:-

Software	33% on cost
Patents	10% on cost
Development Costs	50% on cost

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold Land and buildings	20% on cost
Plant and machinery	at varying rates on cost
Fixtures, fittings and equipment	20%-33.3% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and amounts due to fellow group companies, are initially recognised at transaction price and subsequently measured at amortised cost unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest and subsequently measured at amortised cost.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the year end date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the year end date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the statement of financial position.

Leases

Operating Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stage of completion of projects

In order to assess the recognition of turnover and profits generated on projects, management consider the stage of completion of the projects ongoing at the year end by comparing costs incurred as a portion of expected total costs. This assessment includes an estimate of the costs to completion which includes an element of judgement as projects can change, resulting in either additional or less costs depending on the outcome of the work performed.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Sales of processing and containment systems	7,309,859	5,126,852
	<u> </u>	<u> </u>
	2019 £	2018 £
Other revenue		
Interest income	29,758	15,491
	<u> </u>	<u> </u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	889,489	913,337
Rest of the world	6,420,370	4,213,515
	<u> </u>	<u> </u>
	7,309,859	5,126,852
	<u> </u>	<u> </u>

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

4 Exceptional costs

	2019 £	2018 £
Exceptional costs - bad debt provision	591,794	-

The company has made a provision against the balance owed by a fellow subsidiary company at the year end.

5 Operating loss

	2019 £	2018 £
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(224,473)	-
Research and development costs	856,697	463,473
Fees payable to the company's auditor for the audit of the company's financial statements	19,000	16,000
Depreciation of owned tangible fixed assets	48,821	41,988
Amortisation of intangible assets	29,575	67,661
Cost of stocks recognised as an expense	3,822,513	2,167,373
Operating lease charges	184,150	171,708

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Sales and marketing	10	10
Service	7	6
Administration	11	10
Production	43	42
	71	68

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,521,656	2,315,476
Social security costs	304,973	276,187
Pension costs	102,820	90,198
	2,929,449	2,681,861

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	419,439	349,778
Company pension contributions to defined contribution schemes	25,796	18,344
	<u>445,235</u>	<u>368,122</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	100,772	113,423
Company pension contributions to defined contribution schemes	9,000	6,585
	<u>109,772</u>	<u>120,008</u>

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	2,113	1,392
Other interest income	27,645	14,099
Total income	<u>29,758</u>	<u>15,491</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>29,758</u>	<u>15,491</u>
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9 Other gains and losses fixed asset investments

	2019 £	2018 £
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	<u>(16,370)</u>	<u>35,308</u>

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	(267,027)	(154,568)
Adjustments in respect of prior periods	1,822	-
Total current tax	<u>(265,205)</u>	<u>(154,568)</u>
Deferred tax		
Origination and reversal of timing differences	<u>4,939</u>	<u>(31,399)</u>
Total tax credit	<u>(260,266)</u>	<u>(185,967)</u>

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Loss before taxation	<u>(1,288,103)</u>	<u>(766,119)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(244,740)	(145,563)
Tax effect of expenses that are not deductible in determining taxable profit	115,871	8,839
Tax effect of income not taxable in determining taxable profit	-	(6,709)
Change in unrecognised deferred tax assets	(8,648)	15,841
Adjustments in respect of prior years	1,822	1,037
Research and development tax credit	(207,860)	(114,478)
Other permanent differences	-	(361)
Effect of overseas tax rates	-	1,900
Adjusted closing deferred tax to average rate	(1,599)	5,557
Fixed asset differences	855	-
Surrender of tax losses for R&D tax credit refund	84,033	47,970
Taxation credit for the year	<u>(260,266)</u>	<u>(185,967)</u>

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

11 Intangible fixed assets

	Software	Patents	Development Costs	Total
	£	£	£	£
Cost				
At 1 April 2018	104,264	20,791	1,176,634	1,301,689
Additions - internally developed	-	-	17,908	17,908
Additions - separately acquired	51,069	-	-	51,069
At 31 March 2019	155,333	20,791	1,194,542	1,370,666
Amortisation and impairment				
At 1 April 2018	51,957	15,643	1,014,229	1,081,829
Amortisation charged for the year	41,791	1,971	(14,187)	29,575
At 31 March 2019	93,748	17,614	1,000,042	1,111,404
Carrying amount				
At 31 March 2019	61,585	3,177	194,500	259,262
At 31 March 2018	52,307	5,148	162,405	219,860

12 Tangible fixed assets

	Leasehold Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 April 2018	266,348	1,028,119	330,343	1,624,810
Additions	-	80,535	-	80,535
At 31 March 2019	266,348	1,108,654	330,343	1,705,345
Depreciation and impairment				
At 1 April 2018	266,348	980,971	264,095	1,511,414
Depreciation charged in the year	-	13,732	35,089	48,821
At 31 March 2019	266,348	994,703	299,184	1,560,235
Carrying amount				
At 31 March 2019	-	113,951	31,159	145,110
At 31 March 2018	-	47,148	66,248	113,396

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Stocks

	2019 £	2018 £
Raw materials and consumables	321,850	307,386
Work in progress	207,566	657,895
	<u>529,416</u>	<u>965,281</u>

14 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	566,618	2,124,349
Corporation tax recoverable	423,862	179,551
Amounts owed by group undertakings	591,794	1,000,501
Derivative financial instruments	14,788	31,158
Other debtors	81,513	39,476
Prepayments and accrued income	1,667,760	353,995
	<u>3,346,335</u>	<u>3,729,030</u>
Deferred tax asset (note 18)	184,687	175,846
	<u>3,531,022</u>	<u>3,904,876</u>

15 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,254,904	687,215
Amounts owed to group undertakings	-	37,737
Taxation and social security	82,995	89,627
Other creditors	421,648	18,490
Accruals and deferred income	1,730,253	2,634,675
	<u>3,489,800</u>	<u>3,467,744</u>

The company has a debenture in place to secure all moneys and liabilities due to Barclays Bank plc. The debenture is secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, bookdebts, uncalled capital, buildings, fixtures and fixed plant and machinery.

The company also has debentures in place to secure moneys due to a director of Powder Systems Limited and the shareholders of Powder Systems Group Limited. The debentures are secured by way of a fixed and floating charge over all property and assets owned by the business.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

16 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	18	57,303	43,523

17 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,593,455	3,164,326
Instruments measured at fair value through profit or loss	14,788	31,158
Carrying amount of financial liabilities		
Measured at amortised cost	3,406,805	3,378,117

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Balances:				
ACAs	57,303	43,523	-	-
Tax losses	-	-	182,043	173,395
Short term timing differences	-	-	2,644	2,451
	57,303	43,523	184,687	175,846
Movements in the year:				2019 £
Liability/(Asset) at 1 April 2018				(132,323)
Charge to profit or loss				4,939
Liability/(Asset) at 31 March 2019				(127,384)

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	102,820	90,198

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £24,718 (2018: £14,416) were payable at the year end and are included in Creditors: Amounts falling due within one year.

20 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
7,950 A Ordinary shares of £1 each	7,950	7,950
19,125 B Ordinary shares of £1 each	19,125	19,125
11,475 C Ordinary shares of £1 each	11,475	11,475
22,952 D Ordinary shares of £1 each	22,952	22,952
15,000 E Ordinary shares of £1 each	15,000	15,000
125 G Ordinary shares of £1 each	125	125
	<u>76,627</u>	<u>76,627</u>

The Company's ordinary shares, which carry no right to fixed income, each carries the right to one vote at general meetings of the Company.

21 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The nominal value of shares repurchased.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

22 Cash generated from operations

	2019 £	2018 £
Loss for the year after tax	(1,027,837)	(580,152)
Adjustments for:		
Taxation credited	(260,266)	(185,967)
Investment income	(29,758)	(15,491)
Amortisation and impairment of intangible assets	29,575	67,661
Depreciation and impairment of tangible fixed assets	48,821	41,988
Other gains and losses	16,370	(35,308)
Movements in working capital:		
Decrease/(increase) in stocks	435,865	(363,513)
Decrease/(increase) in debtors	610,636	(107,699)
Increase in creditors	22,056	1,112,117
Cash absorbed by operations	(154,538)	(66,364)

23 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	189,289	171,050
Between one and five years	623,882	181,364
In over five years	677,500	-
	1,490,671	352,414

24 Events after the reporting date

On 11 March 2020, the World Health Organisation declared the Coronavirus outbreak to be a pandemic. As a result, there is a significant increase in economic uncertainty which is affecting business across the globe to a varying degree.

The global COVID-19 pandemic has not significantly affected the Group's reported results for the year ended 31 March 2019. The effects of the pandemic have been felt in the period since 31 March 2019 and include ability to travel and social distancing measures. Prompt action was taken to furlough staff and new ways of working implemented, such as remote installation and testing. Operationally, social distancing measures were implemented and remote working instigated for those that could work from home.

Consequently, there is no impact of recognition and measurement of assets and liabilities. The directors continue to carefully monitor and assess the impact on the business, and to take action to mitigate risk to protect the business and preserve cashflow.

POWDER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2019 £	2018 £
Aggregate compensation	511,681	-

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales 2019 £	2018 £	Purchases 2019 £	2018 £
Entities over which the entity has control, joint control or significant influence	2,000	-	-	35,275

The following amounts were outstanding at the reporting end date:

	2019 £	2018 £
Amounts due to related parties		
Entities over which the entity has control, joint control or significant influence	-	20,000
Other related parties	20,000	-

26 Directors' transactions

During the year a total of £400k was loaned to the business by 3 directors and subsequent charges over the assets of the company were lodged at Companies House. Interest on the loan is at 5% per annum and it is repayable on demand.

27 Ultimate controlling party

The ultimate parent company is Powder Systems Group Limited, incorporated in Great Britain and registered in England and Wales.

The majority shareholders of Powder Systems Group Limited are Mrs K Pitcher and Mr M Pitcher.

At 31 March 2019 the immediate parent undertaking and controlling party was Powder Systems Holdings Limited. The Ultimate controlling parties are Mrs K Pitcher and Mr M Pitcher by way of their majority shareholding in Powder Systems Group Limited.